

REPORT

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA

JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

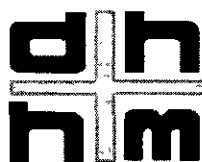
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STATE OF LOUISIANA  
LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA

JUNE 30, 2010

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## INDEPENDENT AUDITOR'S REPORT

November 2, 2010

Honorable Joel T. Chaisson II, Co-Chair  
Honorable Jim Tucker, Co-Chair  
Legislative Budgetary Control Council  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana State Law Institute, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Law Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Louisiana State Law Institute are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Law Institute as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of the Louisiana State Law Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Law Institute's basic financial statements. The required supplementary information on page 19 is presented for additional analysis as required by the Governmental Accounting Standard Board (GASB) and is not a required part of the basic financial statements. The schedule on page 20 is presented for the purpose of additional analysis and is also not a required part of the financial statements of the Louisiana State Law Institute. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

This section of the Louisiana State Law Institute's annual financial report presents management's analysis of the Louisiana State Law Institute's financial performance for the year ended June 30, 2010. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

The Louisiana State Law Institute's net assets decreased by \$106,006 during the year ended June 30, 2010 primarily due to the accrual of other postemployment benefits payable.

The general revenues of the Louisiana State Law Institute were \$961,352. The total expenditures/expenses of the Louisiana State Law Institute were \$1,067,358.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This report consists of three sections: Management's Discussion and Analysis, basic financial statements and required supplementary information. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

BASIC FINANCIAL STATEMENTS:

This annual report consists of a series of financial statements and supporting schedules, intended to present the user with two views of the Louisiana State Law Institute, one short-term, one long-term. The Governmental Fund Balance Sheet/Statement of Net Assets (page 5) and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities (page 6) start with a fund view of the Louisiana State Law Institute, which provides a short-term view of operations; this General Fund is adjusted to a long-term view, recording the effect of long-term obligations and capital assets.

A budget comparison of actual to the final budget is included as required supplemental information and is presented on page 18. The reporting perspective of the comparison is short-term, reflecting the Louisiana State Law Institute's stewardship with the annual, lapsing appropriation.

The following presents condensed financial information on the operations of the Louisiana State Law Institute:

SUMMARY STATEMENTS OF NET ASSETS:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current assets	\$ 27,539	\$ 37,576
Capital assets	<u>14,013</u>	<u>9,309</u>
Total assets	41,552	46,885
Current liabilities	58,532	70,418
Long-term liabilities	<u>466,716</u>	<u>354,157</u>
Total liabilities	525,248	424,575
Invested in capital assets	14,013	9,309
Unrestricted (deficit)	<u>(497,709)</u>	<u>(386,999)</u>
Total net assets (deficit)	\$ <u>(483,696)</u>	\$ <u>(377,690)</u>

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY STATEMENTS OF ACTIVITIES:

	For the Year Ended <u>June 30, 2010</u>	For the Year Ended <u>June 30, 2009</u>
General revenues:		
State appropriation	\$ <u>961,352</u>	\$ <u>965,944</u>
Total general revenues	<u>961,352</u>	<u>965,944</u>
Total revenues	961,352	965,944
Total expenditures/expenses	<u>(1,067,358)</u>	<u>(1,119,360)</u>
	\$ <u>(106,006)</u>	\$ <u>(153,416)</u>

BUDGET ANALYSIS:

A comparison of budget to actual operations is a required supplemental schedule and is presented in the accompanying supplementary information. Total expenditures were \$75,853 less than budgeted amounts. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

AUDITED FINANCIAL STATEMENTS:

Annually, the Louisiana State Law Institute is audited by a certified public accounting firm selected by the President of the Louisiana Senate and the Speaker of the House of Representatives. Copies of those audits are available for public inspection within the Legislative Auditor's office.

CONTACTING THE LOUISIANA STATE LAW INSTITUTE'S MANAGEMENT:

This audit report is designed to provide a general overview of the Institute and to demonstrate the Institute's accountability for its finances. If you have any questions about this report or need additional information, please contact Dr. William E. Crawford, Louisiana State Law Institute, Paul M. Hebert Law Center, Room W127, University Station, Baton Rouge, Louisiana 70803-1016.

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
GOVERNMENTAL FUND BALANCE SHEET/  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	General Fund	Adjustments*	Statement of Net Assets
<b>ASSETS</b>			
Cash in bank (Note 4)	\$ 27,539	\$ -	\$ 27,539
Capital assets (net of allowance for depreciation) (Note 3)	<u>-</u>	<u>14,013 (1)</u>	<u>14,013</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>27,539</u></b>	<b><u>14,013</u></b>	<b><u>41,552</u></b>
<b>LIABILITIES</b>			
Accounts payable	1,890	-	1,890
Accrued salaries and related benefits	30,994	-	30,994
Due to state treasury	25,648	-	25,648
OPEB payable (Note 9)	-	406,221 (2)	406,221
Compensated absences (Note 1)	<u>-</u>	<u>60,495 (2)</u>	<u>60,495</u>
Total liabilities	<u>58,532</u>	<u>466,716</u>	<u>525,248</u>
<b>FUND BALANCE/NET ASSETS</b>			
Unreserved (deficit)	<u>(30,993)</u>	30,993	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>27,539</u></b>		
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets		14,013	14,013
Unrestricted (deficit)		<u>(497,709)</u>	<u>(497,709)</u>
<b>TOTAL NET ASSETS (DEFICIT)</b>		<b>\$ <u>(483,696)</u></b>	<b>\$ <u>(483,696)</u></b>

**\*Explanations**

(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.

(2) Long-term liabilities, such as compensated absences and other postemployment benefits, are not due and payable in the current period, and therefore, are not reported in the General Fund.

See accompanying notes.

LOUISIANA STATE LAW INSTITUTE  
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STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN THE FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES:</b>			
Personnel services	\$ 678,345	\$ 112,559 (1)	\$ 790,904
Travel	127,998	-	127,998
Operating services	19,141	-	19,141
Supplies	26,642	-	26,642
Professional services	72,075	-	72,075
Other fees and services	27,640	-	27,640
Capital outlay	7,662	(7,662) (2)	-
Depreciation	-	2,958 (2)	2,958
Total expenditures/expenses	<u>959,503</u>	<u>107,855</u>	<u>1,067,358</u>
<b>GENERAL REVENUES:</b>			
State appropriations	<u>961,352</u>	<u>-</u>	<u>961,352</u>
Excess (deficiency) of revenues over expenditures	1,849	(1,849)	-
Change in net assets	-	(106,006)	(106,006)
<b>Fund Balance/Net Assets (Deficit):</b>			
Beginning of Year	(32,842)	(344,848)	(377,690)
End of Year	<u>\$ (30,993)</u>	<u>\$ (452,703)</u>	<u>\$ (483,696)</u>

**\*Explanations**

- (1) Expenses of long-term obligations for compensated absences and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.
- (2) Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

See accompanying notes.



LOUISIANA STATE LAW INSTITUTE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NATURE OF OPERATIONS:

The Louisiana State Law Institute, (the Institute) domiciled at the Law School of Louisiana State University, is chartered, created, and organized as an official advisory law revision commission, law reform agency and legal research agency of the State of Louisiana, and a part of the legislative branch of government. The Institute was created in accordance with Title 24: Chapter 4 of the Louisiana Revised Statutes of 1950.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Louisiana State Law Institute presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Institute.

Financial Reporting Entity:

Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Louisiana State Law Institute) to be the State of Louisiana. The accompanying financial statements of the Louisiana State Law Institute contain sub-account information of the General Fund of the State of Louisiana. Annually, the State of Louisiana issues general-purpose financial statements, which include the activity contained in the accompanying component unit financial statements.

Fund Accounting:

The Louisiana State Law Institute uses fund accounting (separate sets of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The fund presented in the accompanying financial statements, and as described below, comprises the General Fund of the Louisiana State Law Institute:

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NOTES TO FINANCIAL STATEMENTS  
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Accounting: (Continued)

Governmental Fund Type

*General Fund.* The General Fund is used to account for all of the Louisiana State Law Institute's general activities, including the acquisition of capital assets and accounting for long-term liabilities. It is used to account for all activities of the Institute.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with *Statement of Governmental Accounting Standard 34*, the Louisiana State Law Institute presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Louisiana State Law Institute. The Louisiana State Law Institute has no fiduciary funds or component units. The Louisiana State Law Institute has only a General Fund, supported by an appropriation from the State of Louisiana.

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the Louisiana State Law Institute using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Management considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Using this methodology, the legislative appropriation is recorded during the year, and for the year, the appropriation is made. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences are recorded when paid.

The General Fund column is adjusted to create a Statement of Net Assets and Statement of Activities. Within this column, amounts are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LOUISIANA STATE LAW INSTITUTE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

The accompanying statements reflect furniture, fixtures, and equipment used by the Louisiana State Law Institute and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs, which do not materially extend the useful life of the asset, are charged to expense as incurred.

The accompanying statements do not include the value of land and buildings provided without cost to the Louisiana State Law Institute by the State of Louisiana. Those assets are recorded with the annual financial statements of the State of Louisiana.

Budgetary Practices:

The Louisiana State Law Institute is required to submit to the Legislative Budgetary Control Council an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Institute is authorized to transfer budget amounts between accounts in the General Fund. Revisions which alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year-end and require all unexpended or unencumbered funds be returned to the State General Fund.

Encumbrances:

Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current-year appropriation. There were no encumbrances at year end.

Leave Benefits:

Accumulated unpaid annual, sick, and compensatory leave is reported in the Statement of Net Assets and Statement of Activities within the accompanying financial statements. The Institute's employees accrue unlimited amounts of annual and sick leave at varying rates, as established by the Institute's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

LOUISIANA STATE LAW INSTITUTE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Leave Benefits: (Continued)

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per workweek. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2010, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, total \$60,495.

The following are the changes in compensated absences (general long-term obligation) during the year:

Balance, July 1, 2009	\$ 63,021
Net Change	<u>(2,526)</u>
Balance, June 30, 2010	<u>\$ 60,495</u>

The additions and reductions to compensated absences during the 2009-2010 fiscal year represent the net change during the year because the additions and deductions could not be readily determined.

Postemployment Benefits:

The Louisiana State Law Institute provides certain health care and life insurance benefits for retired employees. Substantially all of the Institute's employees may become eligible for those benefits if they reach normal retirement age while working for the Institute. These benefits for retirees and similar benefits for active employees are provided through the State's Office of Group Benefits Plan whose monthly premiums are paid jointly by the employee and the Institute. The Institute recognizes the cost of providing these benefits as expenditures in the year paid in the General Fund. For the year ended June 30, 2010, benefits paid to retirees totaled \$27,836, which covered two retired employees, funded through the legislative appropriation.

2. RETIREMENT SYSTEM:

Plan Description:

Substantially all employees of the Institute participate in the Louisiana State Employees' Retirement System (LASERS) or the Teachers' Retirement System of Louisiana (TRS), both of which are cost-sharing, multiple-employer defined benefit pension plans administered by a separate Board of Trustees. These plans provide retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits of both plans are guaranteed by the State of Louisiana under provisions of the Louisiana constitution of 1974. LASERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225) 922-0600, or by writing to Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana, 70804-9123, or by calling (225) 925-6446.

LOUISIANA STATE LAW INSTITUTE  
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NOTES TO FINANCIAL STATEMENTS  
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2. RETIREMENT SYSTEM: (Continued)

Funding Policy:

Plan members of the Louisiana State Law Institute are required by state statute to contribute 7.5% and 8.0% of their annual covered salary to LASERS and TRS, respectively, and the Institute (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 18.6% and 15.5% of annual covered payroll for LASERS and TRS, respectively. The contribution requirements of plan members and the employer are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Institute's employer contributions to LASERS and TRS for the years ended June 30, 2010, 2009 and 2008, which were equal to the required contributions for each year, were as follows:

<u>June 30,</u>	<u>LASERS</u>	<u>TRS</u>	<u>Total</u>
2010	\$50,185	\$ 10,143	\$ 60,328
2009	66,473	9,943	76,416
2008	66,337	10,342	76,679

3. CAPITAL ASSETS:

The accompanying statements reflect furniture, fixtures, and equipment used by the Louisiana State Law Institute and funded by the legislative appropriation in daily operations. Those assets are recorded at cost. Furniture, fixtures, and equipment with acquisition costs of \$1,000 or greater are capitalized and depreciated as follows:

<u>Assets of \$1,000 or Greater</u>	<u>Cost</u>	<u>Allowance for Depreciation</u>	<u>Net Value</u>
Balance, July 1, 2009	\$48,048	\$ (38,739)	\$ 9,309
Acquisitions	7,662	--	7,662
Deletions	(8,554)	8,554	--
Depreciation	--	(2,958)	(2,958)
Balance, June 30, 2010	<u>\$47,156</u>	<u>\$(33,143)</u>	<u>\$ 14,013</u>

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3. CAPITAL ASSETS: (Continued)

The depreciable assets are depreciated using the straight-line method of allocating asset costs over the following useful lives.

Computer equipment	5 years
Office furniture and equipment	7 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

4. CASH IN BANK:

Under State law, the Louisiana State Law Institute may deposit funds in an approved bank located in the State. Federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these public deposits. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

At June 30, 2010, the carrying amount of the Louisiana State Law Institute's deposit was \$27,539, and the bank balance was \$53,449. The entire bank balance was covered by federal depository insurance.

5. LITIGATION, CLAIMS AND SIMILAR CONTINGENCIES:

Losses arising from litigation, claims, and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims and similar contingencies are not recognized in the accompanying financial statements.

6. OTHER COSTS:

The State of Louisiana, through other appropriations, provides office space, utilities and janitorial services for the office facilities, all of which are not included in the accompanying financial statements.

7. DUE TO OTHER GOVERNMENTAL UNITS:

Amounts due to other governmental units at June 30, 2010 consist of unexpended appropriations due the State Treasurer, State of Louisiana, in the amount of \$25,648.

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NOTES TO FINANCIAL STATEMENTS  
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8. USE OF ESTIMATES:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Institute employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the Institute.

The Louisiana State Law Institute offers its employees the opportunity to participate in a medical coverage plan. The offering is from the State Office of Group Benefits (OGB) which also offers a life insurance plan. Statement No. 45 of the Governmental Accounting Standards Board (GASB) promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both the medical coverage plan and the life insurance plan available are subject to the provisions of this Statement. Information about these plans is presented below.

Plan Description

Louisiana State Law Institute's employees may participate in the State's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The Office of Group Benefits administers the plan. LRS 42:801-883 provides the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap).

Funding Policy

The contribution requirements of plan members and the Institute are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and

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9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy (Continued)

the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans which includes three HMO plans and two private fee-for-service (PFFS) plans. Depending upon the plan selected, during the year ended June 30, 2010, employee premiums for a single member receiving benefits range from \$81 to \$98 per month for retiree-only coverage with Medicare or from \$134 to \$181 per month for retiree-only coverage without Medicare. The premiums for the year ended June 30, 2010 for a retiree and spouse range from \$146 to \$362 per month for those with Medicare or from \$435 to \$527 per month for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Institute contributing anywhere from \$243 to \$253 per month for retiree-only coverage with Medicare or from \$864 to \$900 per month for retiree-only coverage without Medicare during the year ended June 30, 2010. Also, the Institute's contributions range from \$437 to \$937 per month for retiree and spouse with Medicare or \$1,326 to \$1,382 for retiree and spouse without Medicare during the year ended June 30, 2010.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual OPEB Cost

The Institute's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2009 was \$142,400.



LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost (Continued)

The following table presents the Institute's OPEB obligation for the year ended June 30, 2010. The table shows the components of the plan's annual OPEB cost for the year ended June 30, 2010, the actual amount contributed to the plan and changes in the plan's net OPEB obligation to the retiree health plan:

Annual required contribution	\$ 142,400
Interest on Net OPEB Obligation	11,645
ARC Adjustment	<u>(11,124)</u>
OPEB Cost	142,921
Employer contributions	<u>(27,836)</u>
Change in Net OPEB Obligation	115,085
Beginning Net OPEB Obligation July 1, 2009	<u>291,136</u>
Ending Net OPEB Obligation June 30, 2010	<u>\$ 406,221</u>

The Institute's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2010 and the two preceding fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 142,921	19.48%	\$ 406,221
June 30, 2009	165,754	9.89%	291,136
June 30, 2008	157,600	10.04%	141,778

Funded Status and Funding Progress

Act 910 of the Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, neither the Louisiana State Law Institute, nor the State of Louisiana has ever made contributions to it. Since no contributions have been made, Louisiana State Law Institute's entire actuarial accrued liability of \$2,213,100 for the OGB Plan was unfunded.

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress: (Continued)

The funded status of the plan as determined by an actuary as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 2,213,100
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	\$ 2,213,100
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	\$ 473,692
UAAL as a percentage of covered payroll	467.20%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions: (Continued)

A summary of the actuarial assumptions is presented below:

Actuarial valuation date	July 1, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	none
Investment rate of return	4% annual rate
Projected salary increases	5% per annum
Healthcare inflation rate	8.5 – 9.6% initial
	5.0% ultimate

10. RECONCILIATION:

The Statement of Net Assets and Statement of Activities present the Louisiana State Law Institute's fund balance/net assets from a fund perspective and an entity-wide perspective, using the current financial resources focus for the fund balance and the economic resources measurement focus for net assets. The amounts are reconciled as follows:

Fund Balance, June 30, 2010	\$ (30,993)
Capital assets	14,013
Compensated absences	(60,495)
Other postemployment benefits payable	<u>(406,221)</u>
Net Assets, June 30, 2010	<u>\$ (483,696)</u>

## REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	Actual Amounts			Budgeted
		GAAP to		Amounts
	GAAP	Budget	Budgetary	Original
	Basis	Differences	Basis	and
		Over (Under)		Final
REVENUES:				
State appropriations	\$ 961,352	\$ -	\$ 961,352	\$ 1,033,509
EXPENDITURES:				
Personnel services	678,345	(1,849) (1)	676,496	734,611
Travel	127,998	-	127,998	143,277
Operating services	19,141	-	19,141	40,931
Supplies	26,642	-	26,642	8,000
Professional services	72,075	-	72,075	83,250
Other fees and services	27,640	-	27,640	23,440
Capital outlay	7,662	-	7,662	-
Depreciation	-	-	-	-
Total expenditures	959,503	(1,849)	957,654	1,033,509
Excess of revenues over expenditures	1,849	1,849	3,698	-
Net change in fund balance	1,849	1,849	3,698	-
Fund balances - beginning	(32,842)	32,842 (2)	-	-
Fund balances - ending	\$ (30,993)	\$ 34,691	\$ 3,698	\$ -

Explanation of differences:

- (1) Personnel services and related benefits are budgeted only to the extent expected to be paid, rather than on the modified accrual basis.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. (See Note 1 for a description of the Louisiana State Law Institute's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS  
FOR THE YEAR ENDED JUNE 30, 2010

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Office of Group Benefits Plan	7/1/2009	\$ -	\$ 2,213,100	\$ 2,213,100	0%	\$ 473,692	467.20%
Office of Group Benefits Plan	7/1/2008	\$ -	\$ 2,571,700	\$ 2,571,700	0%	\$ 502,138	512.15%
Office of Group Benefits Plan	7/1/2007	\$ -	\$ 2,327,700	\$ 2,327,700	0%	\$ 521,410	446.42%

## OTHER SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROFESSIONAL SERVICES  
JUNE 30, 2010

A. N. Yiannopoulos	\$ 5,500
Saul Litvinoff	1,375
Lucy S. McGough	5,500
Max Nathan, Jr.	5,500
William R. Forrester, Jr.	5,500
Kenneth Rigby	5,500
James A. Stuckey	5,500
Katherine S. Spaht	5,500
L. David Cromwell	5,500
Glenn Morris	5,500
Cheney C. Joseph, Jr.	4,250
James A. Gray, II	4,250
Cynthia Samuel	4,250
Andrea B. Carroll	3,500
Kenneth A. Weiss	3,500
Soledad McGrath	<u>1,450</u>
	\$ <u><u>72,075</u></u>





DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.  
WILLIAM G. STAMM, C.P.A.  
CLIFFORD J. GIFFIN, JR., C.P.A.  
DAVID A. BURGARD, C.P.A.  
LINDSAY J. CALUB, C.P.A., L.L.C.  
GUY L. DUPLANTIER, C.P.A.  
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(1919-1990)  
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(1920-1996)  
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(1921-1999)

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LA C.P.A.'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 2, 2010

Honorable Joel T. Chaisson II, Co-Chair  
Honorable Jim Tucker, Co-Chair  
Legislative Budgetary Control Council  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana State Law Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana State Law Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Law Institute's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (2010-01). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana State Law Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Louisiana State Law Institute's management, the Legislative Auditor, and the Legislative Budgetary Control Council and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louisiana State Law Institute for the year ended June 30, 2010 was unqualified.
2. Internal Control  
Material weaknesses: none noted  
Significant deficiency: See current year finding 2010-01
3. Compliance and Other Matters  
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED  
GOVERNMENTAL AUDITING STANDARDS:

2010-01 Inadequate Segregation of Duties

Condition The Institute is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recordation) cycles.

Criteria The processing of purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting activities.

Effect The effect is such that errors, either intentional or unintentional, in the processing of purchases and journal entries could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause The size of the Institute and the limited number of employees do not permit an adequate segregation of incompatible duties.

Recommendation Due to the size of the Institute's operations, it does not have sufficient staff to establish adequate segregation of duties. Management should consider if the cost associated with reducing this deficiency in the design or operation of the internal control is considered to be justified.

Auditee Response Management has noted this condition and has determined that the cost necessary to establish adequate segregation of duties is not justifiable at this time.

LOUISIANA STATE LAW INSTITUTE  
STATE OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF PRIOR YEAR FINDINGS:

2009-01 Inadequate Segregation of Duties

Condition The Institute is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recordation) cycles.

Status See Finding 2010-01.